



Ready for Retirement

Presented by
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Massachusetts Teachers' Retirement System

FALL 2009

Overview

Timely notes and important updates

Part 1 Pre-retirement issues

What you need to do and consider before you retire

Part 2 The application process

A step-by-step walk-through of the process, so that you know what to do and to expect—and when

Part 3 Other retirement issues

Other topics you need to be aware of as you approach retirement

Q&A



First and foremost—

The economy, the MTRS plan and your benefits

- Your retirement benefits are secure as a contractual obligation of the Commonwealth
- Your benefit is determined according to a set formula, and paid monthly for life
- Fluctuations in the financial markets do **not** affect the formula or the amount of your benefits; the pension fund is invested in a well diversified portfolio, with a focus on long-term returns



Recent changes in the pension law—

The “Pension Reform Act”

Chapter 21 of the Acts of 2009, effective July 1, 2009

- Changes the definition of **regular compensation** to exclude housing allowances, annuities, and individual life and disability insurance premiums, auto/travel allowances)
- Mandates the **direct deposit** of pension benefits for new retirees
- Changes the retirement calculation method for “**dual members**”



The Pension Reform Act

“Regular compensation”

- Effective July 1, 2009, housing allowances, individual **L**ife and **D**isability insurance premiums and **A**nnuities (“LDAs”) are no longer regular compensation
- LDA provisions that were in a contract in effect on May 1, 2009 will be “grandfathered” as regular compensation until the expiration of the term of *that* contract, or June 30, 2012, whichever occurs first
- Parties cannot extend the “grandfather” period by amending the term of the contract in effect on May 1, 2009 to go beyond its original expiration date



Regular compensation “grandfathering”

Example: Ann Administrator

Ann’s contract in effect on May 1, 2009 includes life and disability insurance, as well as an annuity. This contract covers the term 7/1/07 to 6/30/10.

Q1 Is Ann’s LDA “grandfathered” as regular compensation through 6/30/10?

YES, up to the amounts specified in the contract in effect on May 1, 2009



Q2 Can Ann extend her contract so that her LDA will be “grandfathered” as regular compensation through 6/30/12?

NO, Ann’s LDA is only “grandfathered” until 6/30/10, the expiration date of the contract in effect on May 1, 2009



Pension reform: What next?

- In 2008, the Legislature established a Special Commission to study Massachusetts retirement systems and report back to the Governor and Legislature with findings and recommendations
- Special Commission submitted its final report and “proposals” in October 2009
- Next steps: Public hearings to be held by Public Service Committee
- Any additional reforms will require legislative approval; watch our website for updates

True or False...?

In order to retire, all I need to do is submit a letter of resignation to my school district. My district will handle all the paperwork with the MTRS.

False!

To receive an MTRS pension, YOU MUST APPLY for a retirement benefit.

You must complete the MTRS application form and submit the required documentation.

While your payroll administrator will need to complete Part 2, it is **your responsibility** to complete the application process.

First, know the eligibility criteria

Two retirement plans under the MTRS, each with different eligibility criteria:

- **“Regular”**

- Any age, with **20 years** of creditable service, OR
- **Age 55** with **10 years** of creditable service

- **RetirementPlus**

- Any age, with **30 years** of creditable service, at least **20 years** of which must be “teaching” service with the MTRS or Boston Retirement System



Second, complete your service purchases NOW

- If you have rendered past creditable service that is eligible for purchase (see handout for list), investigate the benefit and cost of purchasing it **NOW**, if you haven't already
- **All service purchases must be paid in full prior to your date of retirement—remember:**
 - Certain types of creditable service must be purchased while you are still an active member
 - Rollovers and trust-to-trust transfers take time—start now
 - Late payments will postpone your date of retirement and delay your first retirement check

Third, understand that not all earnings qualify as regular compensation...



Included:

- Annual base salary per collective bargaining agreement or individual contract
- Regular longevity*
- Coaching

Excluded:

- Amounts paid due to employer's knowledge of retirement
- Sick leave buy-back
- Hourly payments
- Temporary salary augmentations
- Fringe benefits**

* Pursuant to 840 CMR 15.00, and subject to change

** Except as allowed for under the Pension Reform Act

Fourth, understand the benefit calculation formula

- Age factor** based on your age at retirement
- x Your number of years of **creditable service**
- Allowed percentage of salary average
- + **RetirementPlus** percentage, if applicable
- Allowable percentage of salary average (80% max)
- x **Salary average** (highest three consecutive years)
- Your Option A annual allowance subtotal
- + **Veteran's bonus**, if applicable
(\$15 per year of creditable service, up to \$300)
- Your Option A annual allowance total**



Fifth, consider the three benefit options

Option	Retiree benefit amount	Survivor benefit, if any, upon retiree's death
A	Maximum allowance	None
B	Appr. 1% less than Option A amount	One-time lump-sum payment payment of balance, if any, remaining in retiree's account; no restrictions on beneficiary designation
C	Appr. 9–11% less than Option A amount	Monthly benefit, equal to 2/3 of retiree's benefit, to one named beneficiary (restrictions apply); pop-up provision

Sixth, plan for your health insurance coverage

Avoid surprises—
a year **BEFORE** your date of retirement...

- Contact your appropriate insurance coordinator...
 - if **in** Retired Municipal Teachers' (RMT) Program (see list): Group Insurance Commission
 - if **not** in RMT: Local insurance coordinator; also applies if district participating in "GIC Municipality Program"
- Find out if Medicare eligibility will impact your future insurance benefits; understand your options
- Understand survivor health insurance benefits—do they exist?
- Make arrangements to pay premiums directly, if necessary, until your retirement payments begin



Myth or fact...?

When I retire, the beneficiary I had designated while active will automatically continue to be my beneficiary as a retiree.

Myth!

Fact: Your “active member” beneficiary designation ceases upon your retirement.

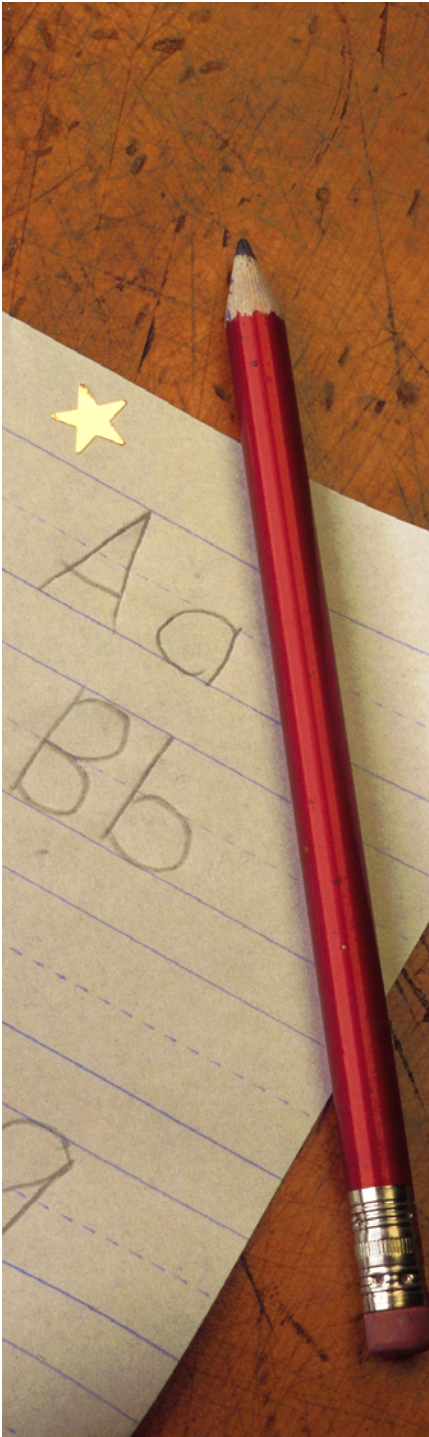
If you retire under Option B or C, you will need to name your beneficiary (or beneficiaries) on your retirement application. Option A does not provide survivor benefits.

Five basic steps...

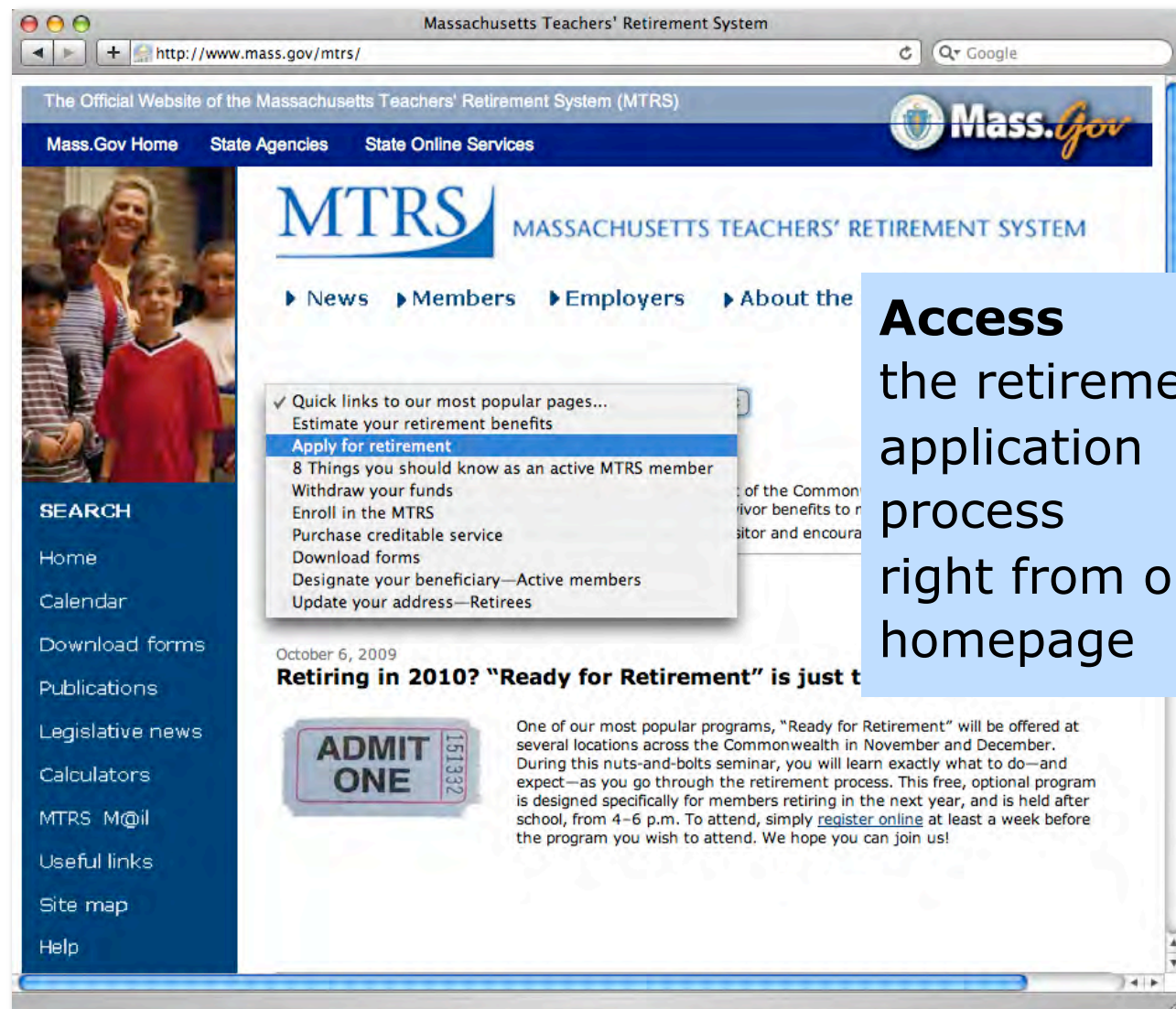
What you need to do...

When, relative to retirement date...

- 1. Go online** to the MTRS website and **estimate** your benefit, **review** general issues and **download** the two-part Retirement Application 6 months before
- 2. Complete** Part 1, gather your required documents, and **give** Part 2 to your payroll official for completion 5 months before
- 3. Receive** Part 2 from your payroll official and **submit** your application to MTRS 3–4 months before
- 4. Receive** your *Notice of Estimated Retirement Benefits* from MTRS About 1 month before
- 5. Receive** your first retirement check! Second full month after



Step 1: Go online and...



Access
the retirement
application
process
right from our
homepage

...**Estimate** your retirement benefit using the interactive estimator



Click "Estimate your retirement benefits" to go to the four-page estimator...

Estimating your MTRS retirement benefits

A step-by-step interactive guide for estimating superannuation (regular or RetirementPlus)

Step 1: Read this disclaimer

Step 2: Understand the retirement basics

Step 3: Enter your information

Step 4: Review your estimates

Estimate as of retirement date: 06/30/2008

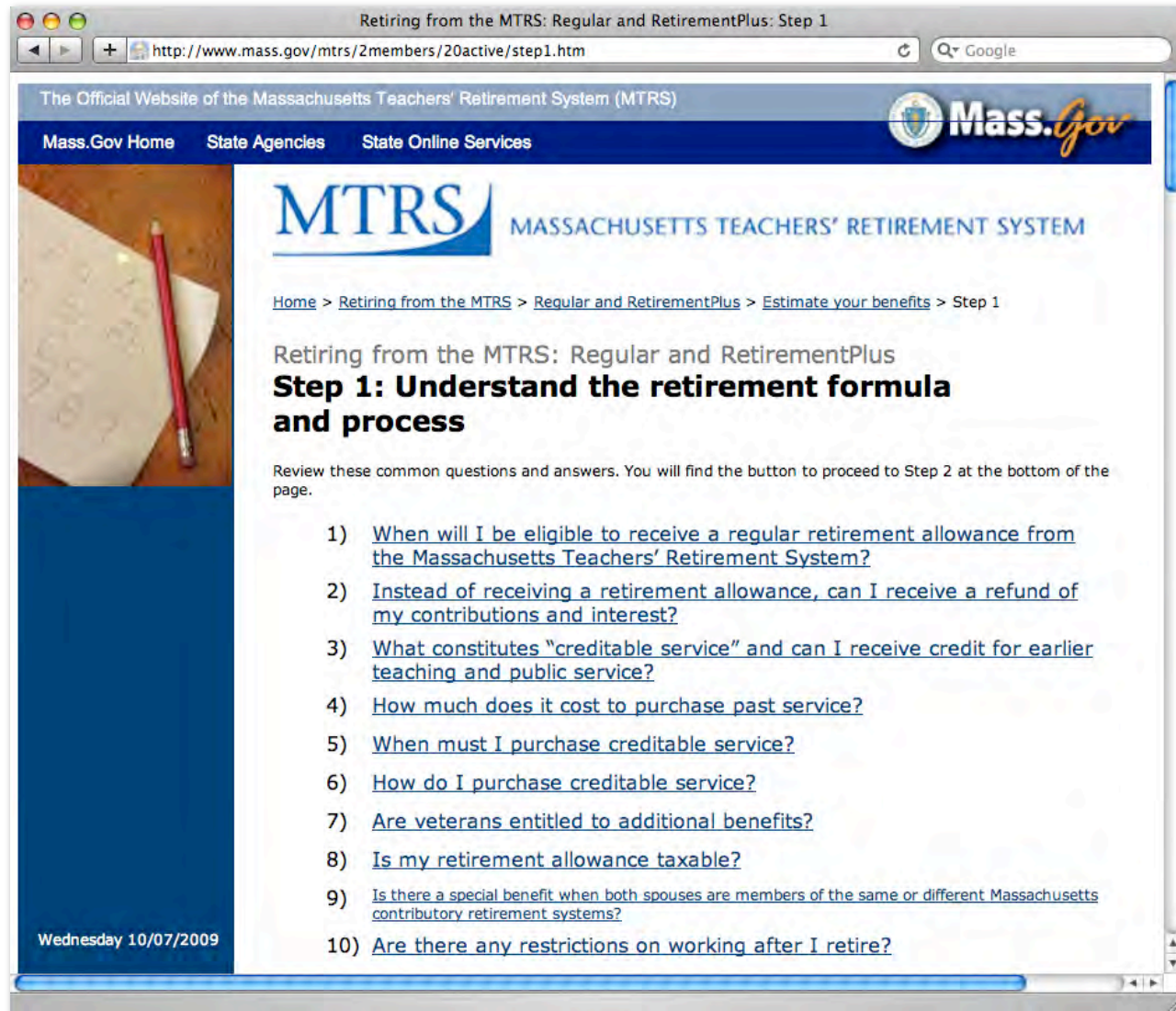
	WITHOUT purchasable service, if any	WITH purchasable service of 5.2 years
Option A		
Your retirement age factor	0.020	0.020
× Years of creditable service	35.0	40.2
% of salary average	70.00%	80.40%
+ RetirementPlus %, if applicable	22.00%	32.00%
Allowable % of salary average	80.00%	80.00%
× 3-year salary average	\$88,000	\$88,000
Option A annual allowance	\$54,400	\$54,400
+ Veteran's bonus	\$0	\$0
Estimated Option A annual allowance	\$54,400	\$54,400
Option B		
Estimated Option A annual allowance	\$54,400	\$54,400
× 99% (appr. 1% less than Option A)	99%	99%
Estimated Option B annual allowance	\$53,858	\$53,858
Option C		
Option A annual allowance	\$54,400	\$54,400
× Option C factor	0.8858	0.8858
Option C annual allowance	\$47,100	\$47,100
+ Veteran's bonus	\$0	\$0
Estimated Option C annual allowance	\$47,100	\$47,100
× 2/3 (annual survivor portion)	2/3	2/3
Estimated annual member-survivor benefit	\$31,401	\$31,401

Print

Go back to Step 3 to do new estimate (Reset) | Go to retirement application process (Link to MTRS web site)

October 26, 2007

...Review the common Q&A—it's likely that you'll see your questions asked and answered here



The screenshot shows a web browser window with the address bar displaying <http://www.mass.gov/mtrs/2members/20active/step1.htm>. The page title is "Retiring from the MTRS: Regular and RetirementPlus: Step 1". The header includes "The Official Website of the Massachusetts Teachers' Retirement System (MTRS)" and the "Mass.Gov" logo. Navigation links for "Mass.Gov Home", "State Agencies", and "State Online Services" are present. The main content area features the MTRS logo and the text "MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM". A breadcrumb trail reads: [Home](#) > [Retiring from the MTRS](#) > [Regular and RetirementPlus](#) > [Estimate your benefits](#) > Step 1. The section title is "Retiring from the MTRS: Regular and RetirementPlus" followed by "Step 1: Understand the retirement formula and process". A paragraph states: "Review these common questions and answers. You will find the button to proceed to Step 2 at the bottom of the page." Below this is a list of 10 numbered questions, each with a blue underlined link. A sidebar on the left shows a photograph of a red pencil on a piece of paper. The date "Wednesday 10/07/2009" is displayed at the bottom left of the page.

Retiring from the MTRS: Regular and RetirementPlus: Step 1

The Official Website of the Massachusetts Teachers' Retirement System (MTRS)

Mass.Gov Home State Agencies State Online Services

MTRS MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM

[Home](#) > [Retiring from the MTRS](#) > [Regular and RetirementPlus](#) > [Estimate your benefits](#) > Step 1

Retiring from the MTRS: Regular and RetirementPlus

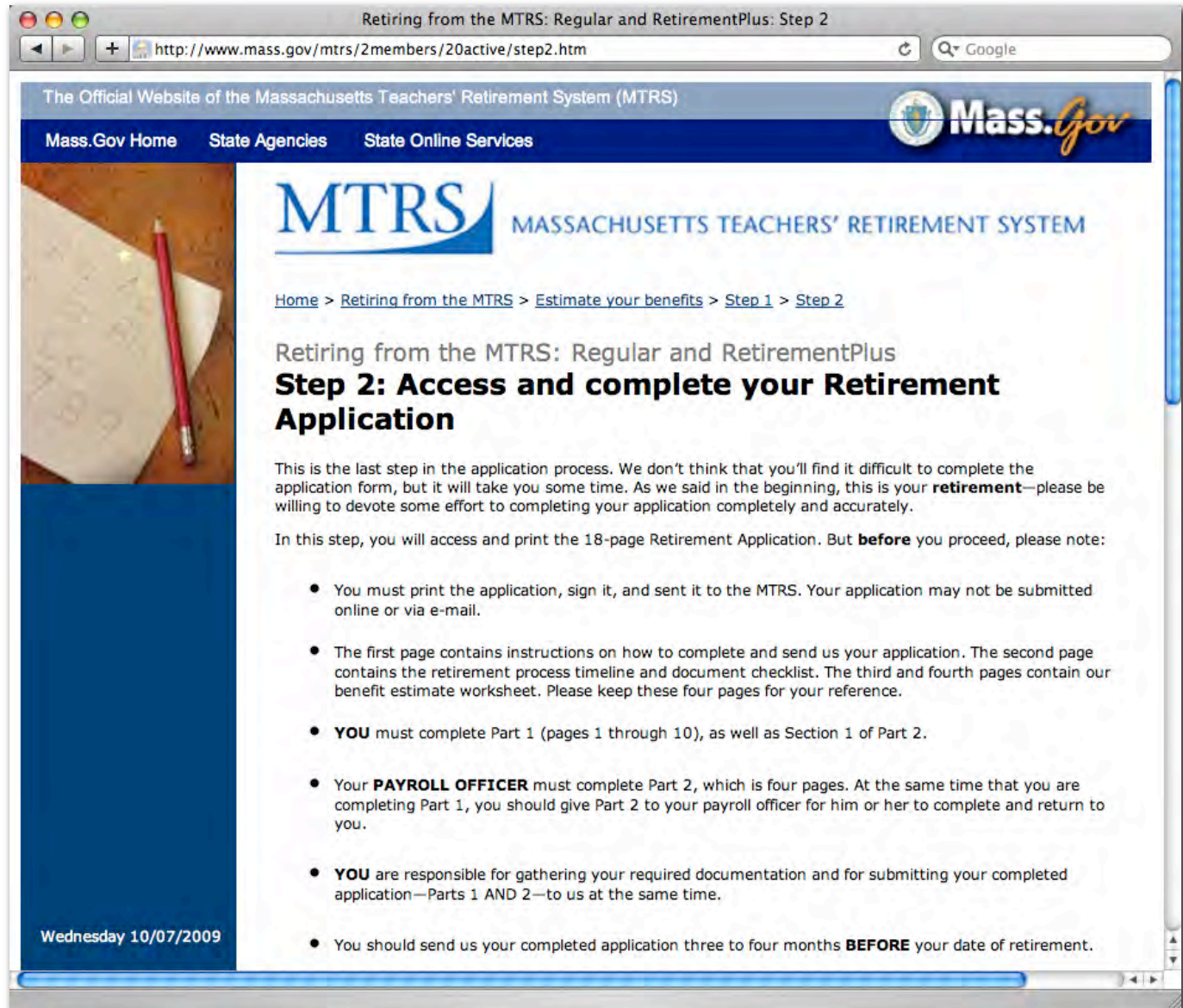
Step 1: Understand the retirement formula and process

Review these common questions and answers. You will find the button to proceed to Step 2 at the bottom of the page.

- 1) [When will I be eligible to receive a regular retirement allowance from the Massachusetts Teachers' Retirement System?](#)
- 2) [Instead of receiving a retirement allowance, can I receive a refund of my contributions and interest?](#)
- 3) [What constitutes "creditable service" and can I receive credit for earlier teaching and public service?](#)
- 4) [How much does it cost to purchase past service?](#)
- 5) [When must I purchase creditable service?](#)
- 6) [How do I purchase creditable service?](#)
- 7) [Are veterans entitled to additional benefits?](#)
- 8) [Is my retirement allowance taxable?](#)
- 9) [Is there a special benefit when both spouses are members of the same or different Massachusetts contributory retirement systems?](#)
- 10) [Are there any restrictions on working after I retire?](#)

Wednesday 10/07/2009

...Download the Retirement Application



The screenshot shows a web browser window with the address bar displaying <http://www.mass.gov/mtrs/2members/20active/step2.htm>. The page title is "Retiring from the MTRS: Regular and RetirementPlus: Step 2". The website header includes "The Official Website of the Massachusetts Teachers' Retirement System (MTRS)" and the "Mass.gov" logo. Navigation links for "Mass.Gov Home", "State Agencies", and "State Online Services" are present. The main content area features the MTRS logo and the text "MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM". A breadcrumb trail reads: [Home](#) > [Retiring from the MTRS](#) > [Estimate your benefits](#) > [Step 1](#) > [Step 2](#). The heading "Retiring from the MTRS: Regular and RetirementPlus" is followed by "Step 2: Access and complete your Retirement Application". A paragraph explains that this is the last step in the application process and encourages users to complete the application accurately. A note states that users will access and print the 18-page Retirement Application, but must first read the instructions. A list of six bullet points provides detailed instructions on how to complete and submit the application, including requirements for printing, signing, and submitting the application to the MTRS, as well as the need to complete Part 1 and Part 2, and to submit the completed application three to four months before the date of retirement. The date "Wednesday 10/07/2009" is displayed in the bottom left corner.

Retiring from the MTRS: Regular and RetirementPlus
Step 2: Access and complete your Retirement Application

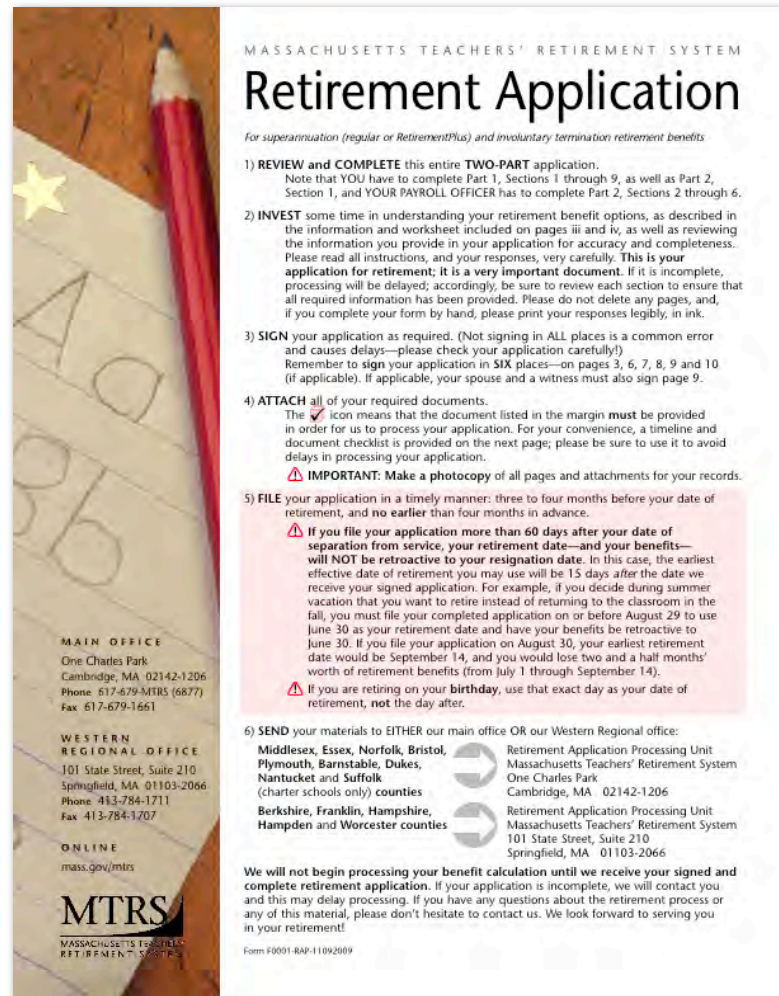
This is the last step in the application process. We don't think that you'll find it difficult to complete the application form, but it will take you some time. As we said in the beginning, this is your **retirement**—please be willing to devote some effort to completing your application completely and accurately.

In this step, you will access and print the 18-page Retirement Application. But **before** you proceed, please note:

- You must print the application, sign it, and send it to the MTRS. Your application may not be submitted online or via e-mail.
- The first page contains instructions on how to complete and send us your application. The second page contains the retirement process timeline and document checklist. The third and fourth pages contain our benefit estimate worksheet. Please keep these four pages for your reference.
- **YOU** must complete Part 1 (pages 1 through 10), as well as Section 1 of Part 2.
- Your **PAYROLL OFFICER** must complete Part 2, which is four pages. At the same time that you are completing Part 1, you should give Part 2 to your payroll officer for him or her to complete and return to you.
- **YOU** are responsible for gathering your required documentation and for submitting your completed application—Parts 1 AND 2—to us at the same time.
- You should send us your completed application three to four months **BEFORE** your date of retirement.

Wednesday 10/07/2009


Step 2: Complete the application





MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM

Retirement Application

For superannuation (regular or RetirementPlus) and involuntary termination retirement benefits

- 1) REVIEW and COMPLETE** this entire **TWO-PART** application.
Note that **YOU** have to complete Part 1, Sections 1 through 9, as well as Part 2, Section 1, and **YOUR PAYROLL OFFICER** has to complete Part 2, Sections 2 through 6.
- 2) INVEST** some time in understanding your retirement benefit options, as described in the information and worksheet included on pages iii and iv, as well as reviewing the information you provide in your application for accuracy and completeness. Please read all instructions, and your responses, very carefully. **This is your application for retirement; it is a very important document.** If it is incomplete, processing will be delayed; accordingly, be sure to review each section to ensure that all required information has been provided. Please do not delete any pages, and, if you complete your form by hand, please print your responses legibly, in ink.
- 3) SIGN** your application as required. (Not signing in **ALL** places is a common error and causes delays—please check your application carefully!) Remember to **sign** your application in **SIX** places—on pages 3, 6, 7, 8, 9 and 10 (if applicable). If applicable, your spouse and a witness must also sign page 9.
- 4) ATTACH** all of your required documents.
The  icon means that the document listed in the margin **must** be provided in order for us to process your application. For your convenience, a timeline and document checklist is provided on the next page; please be sure to use it to avoid delays in processing your application.
⚠ IMPORTANT: Make a photocopy of all pages and attachments for your records.
- 5) FILE** your application in a timely manner: three to four months before your date of retirement, and **no earlier** than four months in advance.
⚠ If you file your application more than 60 days after your date of separation from service, your retirement date—and your benefits—will NOT be retroactive to your resignation date. In this case, the earliest effective date of retirement you may use will be 15 days after the date we receive your signed application. For example, if you decide during summer vacation that you want to retire instead of returning to the classroom in the fall, you must file your completed application on or before August 29 to use June 30 as your retirement date and have your benefits be retroactive to June 30. If you file your application on August 30, your earliest retirement date would be September 14, and you would lose two and a half months' worth of retirement benefits (from July 1 through September 14).
⚠ If you are retiring on your birthday, use that exact day as your date of retirement, not the day after.
- 6) SEND** your materials to **EITHER** our main office **OR** our Western Regional office:

Middlesex, Essex, Norfolk, Bristol, Plymouth, Barnstable, Dukes, Nantucket and Suffolk (charter schools only) counties		Retirement Application Processing Unit Massachusetts Teachers' Retirement System One Charles Park Cambridge, MA 02142-1206
Berkshire, Franklin, Hampshire, Hampden and Worcester counties		Retirement Application Processing Unit Massachusetts Teachers' Retirement System 101 State Street, Suite 210 Springfield, MA 01103-2066

We will not begin processing your benefit calculation until we receive your signed and complete retirement application. If your application is incomplete, we will contact you and this may delay processing. If you have any questions about the retirement process or any of this material, please don't hesitate to contact us. We look forward to serving you in your retirement!

Form F0001-RAP-1109/2009

MAIN OFFICE
One Charles Park
Cambridge, MA 02142-1206
Phone: 617-679-MTRS (6877)
Fax: 617-679-1661

WESTERN REGIONAL OFFICE
101 State Street, Suite 210
Springfield, MA 01103-2066
Phone: 413-784-1711
Fax: 413-784-1707

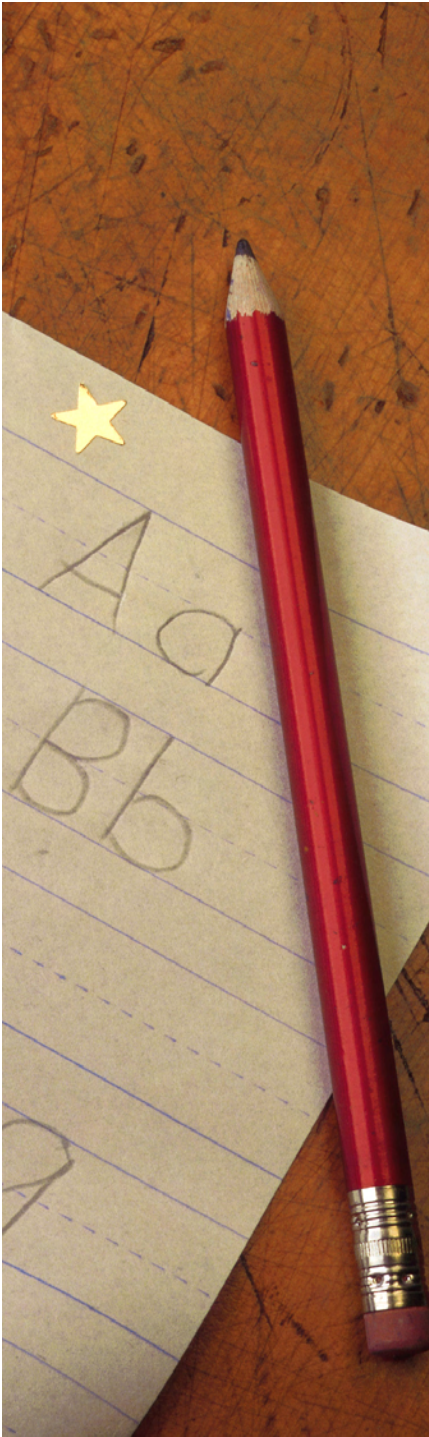
ONLINE
mass.gov/mtrs

MTRS
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM

- Interactive pdf format
- Complete onscreen in part or full, or print and complete by hand

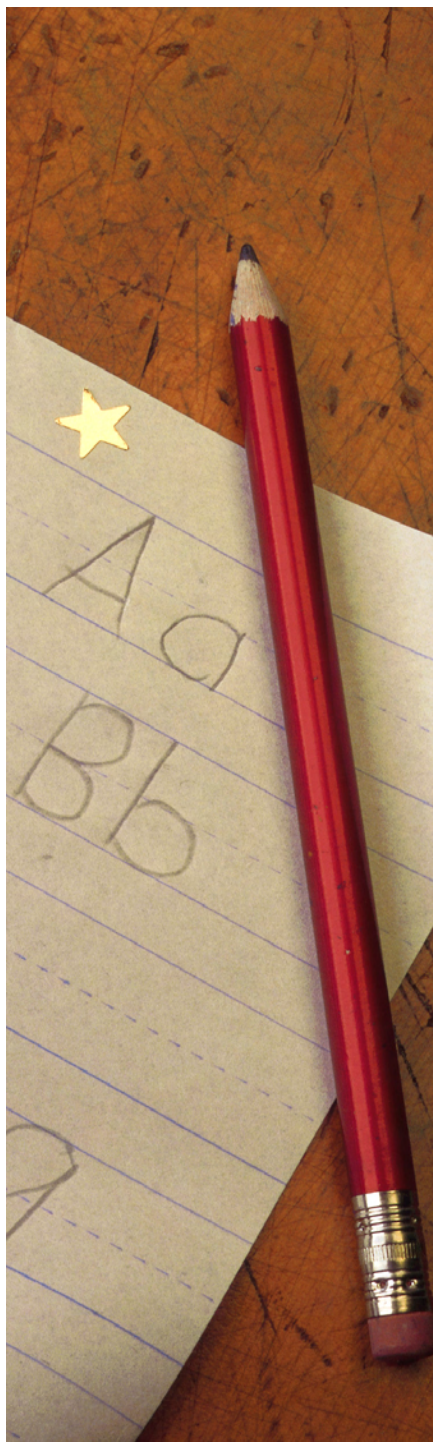
Step 3: Submit the application

- **Receive** completed Part 2 from payroll official
- **Attach ALL** required documents
- **Make** a copy of everything for your records
- **Submit BOTH** Part 1 and Part 2 together to the MTRS (eastern MA, Cambridge office; western MA, Springfield office)
- MTRS will review your application and send you a letter to acknowledge it as received, and either **complete** or **incomplete**, with a request for the missing documentation



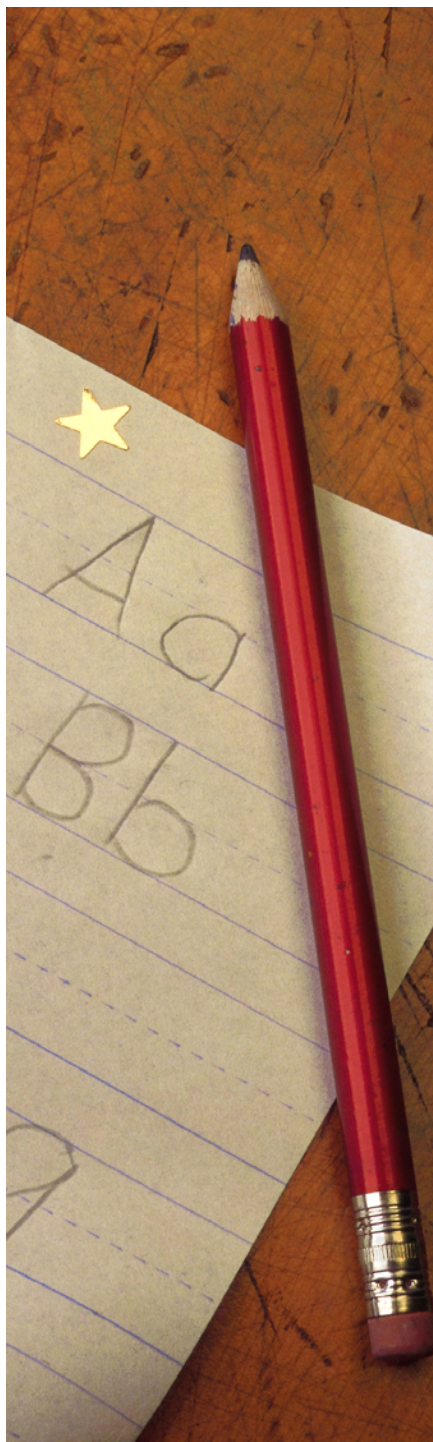
Step 4: Receive your *Notice of Estimated Benefits*

- Applications processed on a “first-come, first-served” basis
- We may need to contact your school department for additional information; we will notify you if this causes a delay
- Please note: Calculations may take up to four months to complete
- Once your benefit calculation is complete, your *Notice of Estimated Retirement Benefits* letter will be sent to you



Step 5: Receive your first retirement payment!

- Regardless of when your first payment is issued, all payments are **retroactive** to your date of retirement
(provided you have filed your application *before* your date of retirement or *within 60 days after* your date of separation from service)
- Note that even though you must receive your payments via direct deposit, your first payment **may** be sent via US mail
(only when standard testing of the electronic funds transfer process with your bank cannot be completed before our monthly payment processing date)



A note about direct deposit...

(also known as Electronic Funds Transfer)



- Direct deposit of your retirement allowance is now mandatory
- Your monthly retirement allowance is transferred to your bank account on the last business day of each month
- You will only receive a monthly statement...
 - when there is a change to the amount of your retirement allowance
 - when the MTRS needs to notify all retirees of an announcement
 - every December (year-end summary)



Part 3: Other retirement issues

True or false...?

After I retire, I can go back to work with my school district or other Massachusetts employer without any restrictions.

False!

As an MTRS retiree, you will be subject to time and earnings restrictions if you are re-employed by a Massachusetts public employer.

There are, however, no restrictions if you are re-employed: in the private sector; as a public employee in another state; or with the federal government.

- Your retirement allowance is **not** subject to Massachusetts state income tax
- Your retirement allowance is federally taxable
- Many of you will have slightly reduced “taxable” earnings each year because of “post-tax” dollars in your annuity savings account at the time of your retirement
- If you intend to move out of state, check with the Department of Revenue in that state to determine if your retirement allowance is subject to state income tax

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- Your retirement allowance is federally taxable
- Many of you will have slightly reduced “taxable” earnings each year because of “post-tax” dollars in your annuity savings account at the time of your retirement
- If you intend to move out of state, check with the Department of Revenue in that state to determine if your retirement allowance is subject to state income tax

- By January 31st of each year, we will mail you a **1099-R** tax form (the retiree version of your W-2 form)
- Gross earnings and taxable earnings will be detailed on the 1099-R
- You are also required to provide proof that you remain eligible (i.e., alive) to receive your retirement allowance
- At least once every two years, the MTRS will send you a **Benefit Verification Form** to prevent pension fraud and ensure your benefits are being paid to the rightful and living recipient; your notarized signature is required

Post-retirement employment

There are **no limits** on the following:

- Employment in the private sector
- Employment in another state—public or private
- Employment within the federal government
- Volunteering





Post-retirement employment

General time and earnings limitations on re-employment in the **Massachusetts public sector...**

- **Time:** Service cannot exceed **960 hours** in a calendar year
- **Earnings:** Post-retirement earnings **cannot exceed** the difference between the current salary of the position from which you retired, and the amount of your annual pension
- **If returning to same employer from which you retired:** Must be separated from service for 60 days before returning (waived if retiring at age 65 or at 80% maximum benefit)



Post-retirement employment

An example of earnings restrictions

Mary Educator retires June 30, 2010 from a position that paid \$63,000 per year

School year 2010–11 salary for Mary's former position*	\$65,000
--	----------

– Mary's annual gross MTRS pension	– \$45,000
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Mary's allowable earnings for the rest of calendar year 2010	\$20,000
--	----------

* "Salary" includes earnings such as regular longevity, coaching and contracted stipends. It does not include annuity/insurance premiums or other fringe benefits.

Post-retirement employment

Different rules in the event of an ESE-approved “critical shortage”:

- RetirementPlus retirees must wait two years to be eligible
- School district must contact the ESE to obtain a one-year “waiver” for a specific position
- If above are met, the retiree may work without earnings limitation for the duration of the critical shortage “waiver”





Post-retirement employment

Additional precautions...

- Service rendered as a “consultant” or a “leased employee” to a MA public school or agency **is** subject to the service and earnings restrictions
- You may elect to waive or “freeze” your benefit if you are approaching your earnings or service limits
- If you exceed the allowable limits, the MTRS or your employer must recover all excess earnings from you

Social Security: Two “double-dipping” laws

If you are eligible for Social Security benefits based on your...

■ **Own employment earnings:**

Windfall Elimination Provision (WEP)

- Exempt from WEP if you were eligible to retire from the MTRS prior to 1/1/86

■ **Spouse’s employment earnings:**

Government Pension Offset (GPO)

- Exempt from GPO if you were eligible to retire prior to 12/1/82

See our handout, *Social Security and the MTRS member*



Social Security

- Even if you are subject to the WEP or GPO, you may still qualify for Medicare either on your own or through your spouse
- For more information, please visit **www.medicare.gov**



Cost-of-Living Adjustments

- **Eligibility:** MA public retirees are eligible for COLAs after one full fiscal year of retirement
- **Granted by Legislature:** As part of the annual budget process, a COLA is subject to approval by vote of the MA Legislature
- **Amount:** Currently, 3% or the CPI, whichever is less, on the first \$12,000 of your retirement allowance, for a maximum increase of \$360 per year



Thank you for attending today—
we hope you're now

Ready for Retirement!

For more information...

- **www.mass.gov/mtrs**
- Cambridge: 617-679-6877
- Springfield: 413-784-1711

Q&A